

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 NSC-05 CIAE-00 DODE-00

SAJ-01 INR-07 L-02 EB-07 H-01 PA-01 PRS-01 PM-03

SAM-01 AID-05 RSC-01 CIEP-01 TRSE-00 STR-01 OMB-01

CEA-01 AF-06 ARA-06 EA-06 NEA-09 IO-10 USIA-06 FEA-01

/113 W

----- 110604

P R 191434Z DEC 74

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC PRIORITY 1519

INFO AMCONSUL ZAGREB UNN

LIMITED OFFICIAL USE BELGRADE 6339

E.O. 11652: N/A

TAGS: ECIN, EINV, ENRG, ETRD, YO

SUBJECT: YUGOSLAV VIEWS ON CHANGES IN WORLD ECONOMIC
STRUCTURE

1. SUMMARY: AS A LEADER OF NON-ALIGNED COUNTRIES, YUGOSLAVIA HAS CALLED FOR "TRANSFORMATION" IN ECONOMIC RELATIONS TO GIVE LDC'S INCREASED SHARE OF WORLD INCOME AND GREATER DECISION-MAKING ROLE. YUGOSLAVIA IS, HOWEVER, WORKING FOR PRACTICAL-NOT RADICAL-SOLUTIONS, TO BE SOUGHT IN COOPERATION WITH DEVELOPED COUNTRIES. ON MANY ISSUES (FOOD PROBLEM, GATT, WORLD TRADE NEGOTIATIONS) VIEWS ARE ALREADY CLOSE TO OURS; ON OTHERS (OIL PRICES CRISIS, PRODUCER ASSOCIATIONS) THERE ARE SOME SIGNS OF CONVERGENCE AND CONTINUING EDUCATIONAL EFFORTS SHOULD BRING POSITIVE RESULTS. IN LIGHT OF CONSIDERABLE YUGOSLAV INFLUENCE WITH MANY LDC'S RECONCILIATION OF VIEWS AND DEVELOPMENT OF PARALLEL OR JOINT INITIATIVES MAY BE WORTHWHILE. END SUMMARY.

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2. ASPIRING TO CONTINUATION OF ITS TRADITIONAL LEADERSHIP ROLE

AMONG NON-ALIGNED COUNTRIES, YUGOSLAVIA HAS SPOKEN OUT AT INTERNATIONAL FORUMS IN FAVOR OF "TRANSFORMATION" IN ECONOMIC RELATIONS, TO GIVE LDC'S GREATER SHARE OF WORLD INCOME AND LARGER DECISION-MAKING ROLE. PUBLIC STATEMENTS HAVE REFLECTED GENUINE CONCERN ABOUT CONTINUED POVERTY OF MANY LDC'S, AND ABOUT INCREASING THREAT THIS REPRESENTS TO WORLD ECONOMIC AND POLITICAL STABILITY. THEY HAVE EMPHASIZED NEED FOR LDC'S TO ACT IN CONCERT, AND TO SECURE "SOVEREIGN CONTROL" OVER THEIR RESOURCES, HIGHER PRICES FOR THEIR PRODUCTS, MORE FOOD, AND BETTER ACCESS TO WESTERN MARKETS. STATEMENTS OF PRINCIPLE AS TO BASIC NEED FOR CHANGE HAVE SOMETIMES BEEN SHARP--BUT SPECIFIC POLICIES ADVOCATED, CONSIDERABLY MORE MODERATE.

3. YUGOSLAV PUBLIC POSITIONS-- AS WELL AS BEHIND-SCENES EFFORTS-- HAVE REFLECTED REALIZATION THAT LDC'S WOULD NOT DERIVE PRACTICAL BENEFIT FROM RADICAL SOLUTIONS AND POLICIES OF CONFRONTATION ADVOCATED BY SOME NON-ALIGNED COUNTRIES, AND THAT SUCH POLICIES WOULD ALSO HARM YUGOSLAVIA'S OWN ECONOMY--WITH ITS HEAVY DEPENDENCE ON IMPORTED OIL AND RAW MATERIALS, AND ITS NEED FOR INVESTMENT, CREDITS AND TECHNOLOGY FROM U.S. AND OTHER WESTERN COUNTRIES.

4. YUGOSLAVIA HAS THEREFORE CALLED FOR WORLDWIDE COOPERATIVE EFFORT, TAKING ACCOUNT OF INTERESTS OF BOTH DEVELOPED COUNTRIES AND LDC'S AND OF INTERDEPENDENCE BETWEEN THEM.

5. THERE IS CONSIDERABLE MEASURE OF U.S.-YUGOSLAV AGREEMENT ON PRACTICAL DIMENSIONS OF PROBLEM, AND ON PRACTICAL STEPS WHICH SHOULD BE TAKEN.

6. YUGOSLAVS SHARE OUR VIEWS CONCERNING EFFECTIVE ORGANIZATIONAL FRAMEWORK FOR INTERNATIONAL EFFORT TO COMBAT WORLD FOOD PROBLEM, AND ON NEEDED FOLLOW-UP ACTIVITIES. THEY WORKED HARD BEHIND SCENES TO BRING ABOUT SUCCESSFUL OUTCOME OF ROME WORLD FOOD CONFERENCE.

7. LIKE U.S., YUGOSLAVIA--WITH EXCHANGE OF GOODS AND SERVICES EQUAL TO NEARLY HALF OF GNP--HAS HIGH EXPECTATIONS FOR FORTHCOMING GATT WORLD TRADE NEGOTIATIONS, AND AGREES WITH US THAT MAIN AIMS SHOULD BE COMPREHENSIVE REDUCTION OF TARIFFS AND LIMITED OFFICIAL USE

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NONTARIFF BARRIERS, PREFERENCES FOR LDC'S, AND ASSURED LONG-TERM ACCESS TO FOOD AND BASIC MATERIAL SUPPLIES.

8. OIL PRICE SITUATION IS MATTER OF SERIOUS CONCERN TO GOY, BECAUSE OF HEAVY DRAIN IT REPRESENTS ON BALANCE OF PAYMENTS OF NUMEROUS LDC'S, INCLUDING YUGOSLAVIA ITSELF. IN LIGHT OF THEIR NON-ALIGNED STATUS, YUGOSLAV HAVE NOT FOUND IT POLITICALLY FEASIBLE TO GIVE SUPPORT TO U.S. INITIATIVE,

INCLUDING INTERNATIONAL ENERGY PROGRAM AGREEMENT, AND THEY EXPRESS CONCERN THAT "CONFRONTATIONAL ASPECTS" THEY CLAIM TO SEE IN CONSUMER COOPERATIVE PROGRAM WILL CAUSE OPEC MEMBERS TO BECOME EVEN MORE INTRACTABLE. YUGOSLAVS ARE, HOWEVER, DRAWING ON SPECIAL IMF OIL FACILITY; EXPECT (IF ELIGIBLE) TO DRAW ON PROSPECTIVE OECD "SAFETY NET" FACILITY; AND BASICALLY AGREE WITH IEP CONCEPTS ON SPECIAL ASSISTANCE FOR MOST SEVERELY AFFECTED STATES, ENERGY CONSERVATION, MARKET INFORMATION EXCHANGE AND RAPID DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES. YUGOSLAVS HAVE BEEN PRESSING OPEC MEMBERS HARD (SINCE EARLY 1974) TO ESTABLISH SIZEABLE FUND FOR ASSISTANCE TO LDC'S.

9. YUGOSLAVS FAVOR EARLIEST TRIPARTITE (PRODUCER-DEVELOPED CONSUMER-LESS DEVELOPED CONSUMER) NEGOTIATIONS, AND WELCOME MARTINIQUE AGREEMENT ON MARCH 1975 TARGET DATE FOR PREPARATORY MEETING. THEY BELIEVE, HOWEVER, THAT SUBJECT MATTER SHOULD ENCOMPASS OTHER BASIC COMMODITIES BESIDES OIL, AND FAVOR SERIOUS EXAMINATION OF INDEXATION SYSTEM WHICH WOULD TIE PRICES OF BASIC MATERIALS TO PRICES OF DEVELOPED COUNTRY PRODUCTS.

10. YUGOSLAVS CONSIDER PRODUCERS' ASSOCIATION APPROPRIATE MEANS FOR INCREASING LDC RETURN ON BASIC MATERIALS, BUT (AS VICE PREMIER VRATUSA EMPHASIZED IN BASIC POLICY STATEMENT), BELIEVE THAT "LASTING ECONOMIC AND SOCIAL DEVELOPMENT" CAN BE BASED ONLY ON INCREASE IN PRODUCTION AND PRODUCTIVITY, NOT ON CONCERTED INCREASES IN PRICE AND LIMITS ON PRODUCTION. THEY EXERCISED MODERATING INFLUENCE AT GEORGETOWN BAUXITE PRODUCERS' CONFERENCE IN NOVEMBER, HELPING TO FORESTALL IMMEDIATE DECISIONS ON MINIMUM PRICES.

11. WITH DUE REGARD TO OWN NEED FOR PRIVATE INVESTMENT FROM LIMITED OFFICIAL USE

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ABROAD, AND TO OWN MODERATE INVESTMENT PROGRAM IN GUINEA AND OTHER LDC'S YUGOSLAVS FAVOR ACTIVITIES OF MULTINATIONAL FIRMS (PROVIDED ECONOMIC ARRANGEMENTS ARE "FAIR" AND THERE IS NO INTERFERENCE IN POLITICAL MATTERS) AND OPPOSE NATIONALIZATION WITHOUT COMPENSATION. THEY ARE SHOWING ACTIVE INTEREST IN COOPERATING WITH WESTERN FIRMS ON PROJECTS IN LDC'S.

12. GOY ANXIETY TO PRESERVE A KEY POSITION IN NON-ALIGNED MOVEMENT AND TO MAINTAIN DIALOGUE WITH ALL NON-ALIGNED ELEMENTS WILL INEVITABLY PLACE SOME LIMITATION ON POSSIBILITIES FOR COOPERATION WITH US AT FORTHCOMING NEGOTIATIONS. NEVERTHELESS, CLOSENESS OF APPROACHES ON MANY ISSUES, POTENTIALLY INFLUENTIAL GOY ROLE IN TALKS, AND GOY COMMITMENT TO EFFECTIVE, PRACTICAL AND COOPERATIVE SOLUTIONS MAKE EFFORTS TO RECONCILE VIEWS AND TO FIND AREAS OF JOINT AND PARALLEL INITIATIVES WORTHWHILE.

13. FORTHCOMING MEETING OF SECRETARY SIMON AND SECRETARY
CEMOVIC AND GOVERNOR COLANOVIC SHOULD PROVIDE VALUABLE OPPORTUNITY
TO REITERATE US DEDICATION TO COOPERATIVE SOLUTIONS; TO
EXPLORE COMMON POSITIONS AND APPROACHES; AND FOR EDUCATIONAL
EFFORT IN SUCH AREAS AS PRODUCER-CONSUMER TALKS, INDEXATION
AND PRODUCER ASSOCIATIONS.

14. EDUCATIONAL EFFORT MIGHT EMPHASIZE (1) NEED FOR WELL PREPARED
STEP-BY-STEP APPROACH TO PRODUCER-CONSUMER TALKS, AND FOR
INITIAL FOCUS ON VITAL OIL ISSUE; (2) TECHNICAL DIFFICULTIES
WITH INDEXATION CONCEPT, AS WELL AS DANGER FOR BOTH DEVELOPED
AND LDC ECONOMIES IN INDEXATION BASED ON CURRENT
EXCESSIVE OIL PRICES; AND (3) UNFAVORABLE CONSEQUENCES
OF PRODUCER CARTEL ARRANGEMENTS, INCLUDING FOR
PRODUCERS THEMSELVES.

TOON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NONALIGNED NATIONS, ECONOMIC COOPERATION, LESS DEVELOPED COUNTRIES, PETROLEUM, ECONOMIC PROGRAMS, FOOD ASSISTANCE, TRADE AGREEMENTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BELGRA06339
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750009-0594
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741224/aaaaattb.tel
Line Count: 188
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2002 by shawdg>; APPROVED <26 MAR 2003 by ElyME>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YUGOSLAV VIEWS ON CHANGES IN WORLD ECONOMIC STRUCTURE
TAGS: ECIN, EINV, ENRG, ETRD, YO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005